



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

Date: April 30, 2026

To: School District Administrators  
Local Note Counsel for potential SAN borrowers

From: John Barton, Director, Authority Finance Division

RE: Michigan Finance Authority's August 2026 SAN Loan Program

The Michigan Finance Authority's (MFA) State Aid Note Loan Program (SAN) is open to all Michigan School Districts (Districts) and provides economic benefits through reduced borrowing costs.

Each year, the MFA receives approximately 100 applications from Districts indicating their intent to participate. Based on the applications, the MFA sizes the SAN and reserves borrowing capacity in the form of a letter of credit for the no set-aside pool or as a direct placement with one or more banks for either or both pools. Each year a number of Districts withdraw after the MFA has reserved capacity. As a result, all Districts end up paying a higher cost of funds to reserve this unutilized capacity. To address this issue and maintain the SAN's low cost, a question is included on the application to identify those Districts that are interested in the SAN, but are also seeking competitive bids for their borrowing from a financial institution (Dual Bidder District). Dual Bidder Districts will be required to affirmatively opt into the SAN after the interest rate announcement is made at the end of July. A Dual Bidder District's participation in the SAN will be subject to available capacity, on a first-come, first-served basis.

Summary of the 2026 SAN Parameters

- 1) The overall borrowing limit will be 50% of a District's state aid.
- 2) For 2025 borrowers, the maximum amount which may be borrowed, as a percentage of state school aid, through the no set-aside program, without amortization, will be 38%.
  - a. Districts that borrowed between 35% and 50% of state school aid in the 2025 no set-aside program pool will be limited to the same percentage for 2026, please refer to 2) above for further restrictions.

- b. In general, it is expected a District will not exceed its 2025 no set-aside borrowing percentage for 2026.
  - c. Set asides must have a monthly minimum debt service coverage ratio of 2.0.
- 3) New borrowers, meaning a District that did not borrow through the MFA's 2025 SAN will be required to amortize at least 50% of its proposed borrowing.
  - 4) Minor exceptions to the above may be considered on a case-by-case basis.
  - 5) All Districts, whether participating in the set-aside and no set-aside program, will be required to pledge 100% of their state school aid, October through August, or until its respective note is repaid, whichever is longer. The MFA will continue to review and approve, if appropriate, subordinate state aid notes issued by participating Districts.

For questions related to the SAN, please contact Graham Davidson at (517) 335-6102 or Peyton Stiles at (517) 241-2847.

cc: Graham Davidson, Assistant Director, Authority Finance Division  
Peyton Stiles, Financial Analyst, Authority Finance Division